Development (1948) Department.

Ms SERIES.

G.O. No.	3968
Dated	28. 1. 48

[Despatch Abstract.]

Textiles - Cotton Textiles (Control) order 1948 -

Power to fix prices of yarn - Rates - Recorded

GOVERNMENT OF MADRAS
Development Department.

Fort St. George, Madras.9,
Dated, the 28th April 1948.

Letter No.41122-MII/48.4.

From

C.V. Narasimhan, Esq., I.C.S.,
Deputy Secretary to Government.

To

The Secretary to the Government of India,
Ministry of Industry and Supply,
NEW DELHI.

Sir,

Sub: TEXTILES - Cotton Textiles Control Order, 1948 -
Power to fix prices of yarn.

I am directed to point out that under clause 33 of the Cotton Textiles Control Order, 1948 power has been taken to issue a direction to any dealer to sell or not to sell to a named person, but it does not include the power to fix a resaonable price. Wihtout the power to fix prices, the power to issue a direction under this clause is useless. This is not a hypothetical problem, but has actually arisen in acute form in several districts in this Province. Stock-holders are refusing to release stocks to the nominees of the Collectors except at a fancy price. It is therefore essential that the clause should be amplified so that the authorities issuing a direction under that clause would also have power to fix prices; the prices would be fixed at reasonable levels taking into consideration account the fair market-price and the price at which stock-holders had actually bought the goods. At the meeting on the 24th April 1948, when the Honourable Minister for Industry and Supply of the Government of India met the representatives of this Government this point was discussed, and the Honourable Minister seemed to feel that there was something to be said for the suggestion. I am, therefore, to request that the Government of India may consider the suggestion and take urgent action. The Government of India's decision may kindly be communicated at an early date.

Your obedient servant,

C.V. NARASIMHAN
Deputy Secretary to Government

No. 90/10-Tex.1/48
GOVERNMENT OF INDIA
Ministry of Industry and Supply.

New Delhi, dated the 9th June 1948.

To

The Deputy Secretary to the Government of Madras,
Development Department,
Fort St. George, MADRAS.

Sub: TEXTILES - Cotton - Textiles Control Order, 1948 - Power to fix prices of yarn.

Sir,

With reference to your letter No. 41122-M.II/48.4 dated the 28th April 1948, on the above subject, I am directed to say that after the control over distribution of cloth was lifted clause 33 of the Cotton Textiles (Control) Order, 1948, has really becomes redundant except to the extent that the mills will reserve 25 per cent of their production which the Textile Commissioner, Bombay, can utilise for replenishing the stocks of a Province which is in dire need of cloth. The Government of India have also withdrawn control over prices and as such, it will not be desirable to delegate any powers to Provinces to fix prices at this stage which will nullify the effect of decontrol. The Provincial Governments have already been delegated powers under the Essential Supplies (Texporary Powers) Act, 1946, to fix prices of cloth wherever necessary, if they are not repugnant to the orders issued by the Government of India.

2. I am to add that so long as the Government of India are following the policy of decontrol of prices, your suggestion regarding power to fix prices of cotton textiles, it is gathered, cannot be accepted.

I am, etc.,

S.A. TECHCHANDANI
Assistant Secretary to the Government of India

AGENDA FOR THE MEETING OF THE HONOURABLE DR. SHYAMA PRASAD MOOKERJI,
With the Representative of the Madras Government at Fort St. George,
on 24th April 1948 at 3.P.M.

S u b j e c t s.

1. Coimbatore Textile Mills situation.

2. Ammonium Phosphate plant.

3. Research and technical institutes in the South, e.g. cotton textiles.

4. New Sugar Units.

5. The targets for the export of handloom cloth from this Province to foreign countries may be raised considerably and the shares of Pakistan and Ceylon may be determined with reference to the normal pre-war exports.

6. The target fixed for the impost of mill cloth from the Bombay Surplus Area into this Province is inadequate in view of the liberal exports of handloom cloth from this Province to places within India and outside in accordance with the proposal made above. To fill in the gap of handloom cloth exported from this Province, the target for mill cloth imports may be raised from the present 7,000 and odd bales to about 12,000 bales per month.

7. In order to have a correct idea of the exports of mill cloth produced in this Province, from there to places outside but within India, the power to issue transport permits to cover the exports should vest in the Provincial Government. This power vested in the Provincial Textile Commissioner under the clause 3 of the cotton Textiles (Control of Movement) Order, 1946, has been recently taken away by the Textile Commissioner, Bombay. The Madras Government have already written to the Government of India to restore this power to the Provincial Textile Commissioner.

8. How to ensure adeauate supply of yardn to our handlooms and prevent export to areas outside India.

9. Increase in supply of caustic soda.

10. Increase in supply off coal and coke.

11. Expansion of the power Alcohol Industry.

12. Removal of Paper Control.

13. Bulk supply of iron and steel for private Industrial Development and steel processding, etc.

NOTES.

ITEM I: Coimbatore Textile Mills Situation:

No notes.

ITEM II: AMMONIUM PHOSPHATE PLANT:

Ammonium phosphate has the advantage of supplying two of the necessary elements for plant food namely Nitrogen and Phosphorous in a single substance. It is much more concentrated with respect to these elements than a mixure of ammonium sulphate and super phosphate in addition to conferring an economy in bulk.

For the manufacture of ammonium phosphate, the essential raw material will be the rock phosphate. Dr. J.C. Gosh considers that imported rock-phosphate may be used in the initial period of the undertaking and a gradual change over to Trichinopoly phosphate may

be made. Hence it is economically feasible to have an ammonium phosphate plant in the Trichinopoly area. Recently, on an enquiry from the Government of India they were informed that necessary power can be made available for an ammonium phosphate factory in the South. The possibilities for locating such a factory in this Province may be impressed upon the Honourble Minister (Industries and Supplies) and he may be requested to consider the claims of this Province for the establishment of such a factory.

ITEM (3) RESEARCH AND TEXTILE INSTITUTES IN THE SOUTH, e.g. COTTON TEXTILE:

No notes.

ITEM (4) NEW SUGAR MILLS:

The Indian Central Sugarcane Committee fixed the All India target of Sugar production of 16 lakhs of tons per annum, and allotted this among the several provinces. The quota for this Province was fixed at 1.20 lakhs of tons on the basis of a normal production of 0.8 lakhs of tons and an additional requirement of 0.4 lakh tons. Based on this recommendation, the Panel set up by the Government of India suggested the allotment of 3 new units of 800-1000 tons cane crushing capacity for this Province. This Government examined the whole question and on the assumption that the existing capacity of the factories was only about 60,000 tons, allotted 13,000 tons equal to 1,300 tons cane crushing capacity ~~for this Province. This Government examined the whole question and on the assumption that the existing capacity of the factories was only~~ to 3 existing factories for further expansion and 47,000 tons (i.e. 4,700 tons cane crushing capaity) for starting 9 new sugar factories of 400-600 tons capacity at suitable localities in this Province. As this arrangement did not agree with the recommendation of the Panel set up by the Government of India, there was some correspondence between the Government of India and this Government and the former eventually agreed to this Government's proposal to set up 9 new sugar facotiries in this Province with a total daily cane crushing capaity of 4,700 tons of cane with a reserve capacity for 600 tons (i.e. a total daily capacity of 5,300 tons.)

The Government of India also decided that the target of sugar production should be increased from 16 lakhs to 18.5 lakhs of tons and in order to achieve the increased target, distributed 25 new units to the several Provinces and out of this, 3 units were allotted to this Province. In making this allotment, the Government of India pointed out that the additional units will be in adjustment of the extra capacity already approved for this Province and that no more expansion will be allowed to this Province. But this Government examined the question again and decided there was scope for at least three more factories of 400 tons daily cane crushing capacity in North Arcot, South Arcot and Trichy-Salem-Coimbatore areas. They also considered that such additional factories can be started without exceeding the total capacity of 6,000 tons of cane crushing capacity allotted to this Province by the Government of India.

The Government of India were therefore addressed for permission to start such new facotiries. The Government of India stated in reply that including the expansion sanctioned to existing factories, this Province has been allowed an expansion of 5,630 - 6,280 tons crushing capacity as against the maximum of 6,000 tons originally fixed and that if this Government are keen on further expansion of the industry in this Province, the Government of India would be prepared to consider expansion to the extent of only 400 tons for any of the existing uneconomic units. A detailed report has been sent to the Government of India explaining how all the existing factories which are capable of expansion have been permitted to expand ~~expand~~ and that for the utilisation of sugarcane available, it is essential to start 3 more new facotiries in this Province.

This matter was discussed by member of this Government with Hon'ble Minister (Industries and Supplies) of the Government of India when he last visisted Madras. He agreed with the views of this Government. However, India's decision in the matter has not yet been received. We may again urge that the Government of India should permit the starting of three more facotiries in this Province.

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(5) EXPORT OF HAND LOOM CLOTH TO FOREIGN COUNTRIES:

The production of handloom cloth is about 30 per cent of that of mill cloth. The total quantity of cloth permitted for export is 300 million yards out of which only 30 million yards are handloom cloth. If more handloom cloth is exported the cheaper mill cloth to that extent will be available for local consumption. This Government have therefore urged upon the Government of India to raise the export quota of handloom cloth from 30 to 100 million yards. This Government have also recommended to the Government of India that out of 100 million yards of handloom cloth proposed for export outside India each year 10.8 million yards per half year which approximate to the quantity exported in the past may be earmarked for Pakistan area. This Government may therefore urge before the Honourable Minister for Industry and Supply that the Global export quota of handloom cloth may be raised to 100 million yards in the interest of handloom industry and that an export quota of 10 million yards for Pakistan and 6 million yards for Ceylon per half year may be allotted to this Province.

We are receiving complaints of large accumulation of hand loom cloth, especially lungis. The total surplus is believed to be over 20,000 bales. I therefore submit that we may allow free exports to Pakistan for a fixed period, say 3 or 4 months. We may also warn our weavers that such unrestricted export will not be allowed hereafter and they must start producing varieties for which there is demand in the Province and elsewhere in the Indian Union.

(6) IMPORTS OF MILL CLOTH INTO PROVINCE:

The Textile Commissioner, Bombay in his letter No.CYC-12/P.17/320 dated 15th March 1948 has fixed the target for supplies of mill cloth from the Bombay Surplus Area into this Province at 7,655 bales per month. But in view of the proposed increase of exports of handloom cloth from this Province, to places outside from 30 million yards to one hundred million yards, it is necessary that we should have larger supplies of mill cloth to replace the increased exports of handloom cloth. To set off the increase of about 60 million yards from this Province, the target for the supply of mill cloth from the Bombay Sruplus Area into this Province may be raised from the present 7,655 blaes to at least 12,000 bales per month.

(7) EXPORTS OF MILL CLOTH FROM MADRAS PROVINCE:

The Textile Commissioner, Bombay, has recently withdrawn the powers given to me to issue permits for the export of mill cloth from this Province to places outside the South Zone under Sub-Clause (iii) of Clause 3 of the Cotton Textiles (Control of Movement) Order, 1946. The Government of Madras have already written to the Government of India to restore this power to the Provincial Textile Commissioner. (Please see paragraph 4 of the letter No.33932-M.I/48-1 dated 25th March 1948) from the Deputy Secretary to Government, Development Department, Port St.George Madras to the Secretary to the Government of India, Ministry of Industries and Supplies, New Delhi). This point may be urged before the Honourable Minister.

(9) HOW TO ENSURE ~~SUPPLIES~~ adequate OF YARN TO OUR HANDLOOMS AND PREVENT HEAVY EXPORTS TO AREAS OUTSIDE INDIA:

I give below figures showing the production and distribution of yard in the Province during 1945-48:

Details.	1945	1946	1947
1. Average monthly production.	47,954	38,345	35,869
2. Average monthly consumption by the Weaving Mills.	8,001	6,444	5,003
3. Average monthly quantity of yarn available for free sale (distribution).	39.953	31,901	30.566

It may be seen from the above table that there has been a decline in the yard production in the year 1946 and 1947 compared with the production

in the years 1944-45. (The yard production after deducting the quantity consumed by the weaving section of the Mills in years 1944 and 45 is 39,682 and 40,954 respectively). The reports received from the mills in January 1948 show that there will be approximately 35,000 bales of yarn per mensem available for distribution (if the mills work normally and provided there are no strikes and lockouts) as against the average of 30,871 bales in 1947. This represents an increase of 13 per cent. Making an allowance for unexpected contigencies we may safely assume that the yardn available for distribution will be about 33.000 bales per mensem.

If the Government of India stipulate that 25 per cent of the production should be reserved for being distributed against local shortages outside the province, the quantity so reserved will be 8,250 bales leaving 24,750 bales for consumption for our Province. This will be just sufficient to meet the requirements of our handlooms. The Provincial Textile Commissioner, Madras, will issue export permits upto 8,000 bales per month to areas specified by the Textile Commissioner, Bombay. We may agree to place 25 per cent of our free yarn at the disposal of the Government of India provided that this is to be covered by the Export permits and no separate demand is made for Export by the Textile Commissioner, Bombay.

If we get 25,000 bales per mensem, there will be no need to enforce the District quota scheme and we may allow free movement of yarn within the Province. Our normal production of handlook cloth will be 30,000 bales. Assuming that we get 10,000 bales of mill cloth per mensem, the total quantity of cloth available per mensem will be 40,000 bales. Even if 10,000 bales of handloom cloth are exported, our Province will have 30,000 bales of cloth which will be sufficient to clothe the people at 10 yards per head.

If the All India Yarn Distribution Scheme is completely scrapped, we must retain the Madras Yarn Exports Control Order to ensure that our Province gets all the yarn it requires unless the mills agree to export only the surplus after the requirements of our Province are met (i.e. 25,000 bales for this province.)2

NOTE ON THE SUPPLY OF CAUSTIC SODA, SODA ASH AND COAL.

ITEM (9) - SUPPLY OF CAUSTIC SODA:

Representations have been received from several soap works and firms in this Province that they are unable to continue their business in view of the actue shortage of caustic soda. The Government have set apart 10 tons of caustic soda per quarter for distribution to cottage industries in this Province. The quantity is quite inadequate and it seems desirable to ask for the allotment of at least 50 tons per quarter for cottage industries.

SODA ASH: The Glass facotiries in this Province have repeatedly represented that the quantity of caustic soda supplied to them has been drastically cut down and that unless the quantity is increased, the facotiries will have to close down and the labourers employed therein will have to be discharged. At present only 75 per cent of the previous off-take of these galls factories is being supplied. We may press for the restoration of the full quota of the previous off-take.

ITEM (10) - COAL: The request of this Government to increase the quantity of coal at present supplied to tobacco flue curing industries to 1½ lakh tons has been turned down by the Government of India. Recently, the Government of India have been asked to instruct the Deputy Coal Commissioner, Calcutta, to arrange for the diversion of an unallotted quota of coal namely, 16,000 tons intended for flue curing industry in March, 1948 to other industries in this Province.

ITEM (11) : EXPANSION OF THE POWER ALCOHOL INDUSTRY: The question of developing the power Alcohol Industry in this Province has been engaging the attention of this Government since November 1938. A committee was appointed to report on the possibilities of production of power alcohol from molasses with particular reference to the circumstances and conditions obtaining in this Province. The Committee was of the opinion that the manufacture of Power Alcohol and its admixture with petrol would be an

economic proposition and that it should be encouraged and developed in national interests. The Committee also recommended that legislation should be undertaken to enforce such mixing. The Adviser Government, however, considered that the cost of Power Alcohol will be higher than that of petrol and hence dropped the proposal.

The panel set up by the Government of India to make recommendations on sugar and allied industries reported that it is desirable to develop the power alcohol industry with the object of establishing alternative source for motor fuel particularly to replace petrol. While recommending that the Central Government should have control over production and distribution etc., of power alcohol, the Panel recommended that two distilleries, etch capable of producing 4 lakh gallons of power alcohol from molasses, may be allotted both for Madras and Orissa. One of these factories is to be located at Vizagapatam for the two Provinces - Madras and Orissa and the other at Nellikuppam in the South Arcot District.

With the exapnsion of the sugar industry, this Province can easily produce about 20.5 lakhs gallons of power alcohol. If admixture of power alcohol with petrol is effected in the ratio of 20:80, the requirements of power alocohol for this Province has been estimated to about 28 lakhs gallons. As against this, the Panel has recommended only two distrilleries for both Madras and Orissa with a total capaity of 8 lakhs gallons. These points have been urged on the Government of India and they have ~~asked to~~ asked to allot more distilleries to this Province.

The Government of India have also taken power by legislation to enforce the compulsory admixture of power alcohol with petrol.

Pending the allotment of more distilleries to this Province by the Government of India, this Government have decided that with reference to the consumption of petrol and the availability of molasses, there is scope for the establishment of 5 factories on a regional basis of a total capacity of 20 lakh gallons per annum in each of the following groups of districts in this Province:

First group consisting of Vizagapatam, Godavaris, Kistna, Guntur and Nellore.

Second group consisting of Anantaur, Cuddapah, Kurnool and Bellary.

Third group consisting of Chittoor, North Arcot and Salem districts.

Fourth group consisting of Madras, Chingleput and South Arcot districts, and

Fifth group consisting of the Southern districts.

The Government of India are being addressed for the allocation of these 5 units. We may urge that the Government of India should issue early orders allocating these 5 units, so as to enable this Government to proceed with the selection of suitable parties for starting these facotiries. This question was also discussed with the Honourable Minister (Industry and Supply) when he last visisted Madras.

Item (12) - REMOVAL OF PAPER CONTROL:

The Government of India examined in April 1947 the question whether control on paper should not be relaxed in consultation with the various Provincial Governments and Administration. But they considered that, in view of the actue shortage of paper at that time, any relaxation of control would lead to serious inconvenience to all sections of the public.

This Government consider that, in view of the gradual return to normal conditions of life, it is time that the control on paper is removed completely at as early a date as possible. This Government have already removed (the following restrictive orders issued by them) the Madras Paper Control (Licensing, Economy and Distribution) Order (No.II), 1945.

This Government have taken up the question of decontrol of paper with the Government of India early this year and their decision in the matter is awaited.

DEVELOPMENT DEPARTMENT.

With regard to export of hand-loom cloth, Government of India have passed orders that export may be licensed freely upto 31st July 1948. They have added in their Press Note that meanwhile handloom weavers are expected to convert their production to types and varieties of cloth in demand in the country to the extent possible and to reduce their cost of production. This question was discussed at the meeting on the 24th. Hon'ble Premier expressed the view that such large scale export of handloom cloth to places outside the Indian Dominion should not be encouraged and he thought that some step should be taken to restrict exports to the proportion that they bore to the total production before the war. The matter requires thorough examination. Please ask the Provincial Textile Commissioner to go into this question personally in consultation with the Registrar of Co-operative Scieties and the Hand-Loom Weavers' Co-opt. Society and to send up proposals to the Government very urgently.

2. IMPORTS OF MILL CLOTH INTO THE PROVINCE: This question was not properly discussed and no assurance was forthcoming that the quantity of mill cloth ear-marked for this Province would be increased to any appreciable extent.

3. EXPORTS OF MILL CLOTH FROM MADRAS PROVINCE: The Honourable Minister for Industry and Supply said that there was no reason why the power to licence exports out of the Madras Province should not be exercised by the Provincial Textile Commissioner so long as the Bombay Textile Commissioner was kept informed and the movements were allowed according to the programme chalked out by the Textile Commissioner, Bombay. There is already a file on the subject. Please put up a D.O. to Mr. S.A. Venkataraman, I.C.S., referring to the discussions and requesting early orders of Government of India on the subject.

4. HOW TO ENSURE ADEQUATE SUPPLIES OF YARN-TO-OUR HANDLOOMS: The Government of India representatives confirmed that their intention was to allow this Province to get approximately 19,000 bales of yarn which was our quota under the All India Yarn Distribution Scheme. The question was freely discussed as to how this could be ensured. On behalf of Madras, the view was expressed that it was impossible to ensure the supply of these 19,000 bales of yarn month by month unless exports outside Madras were to be allowed only on the basis of permits issued by the Provincial Textile Commissioner. An undertaking was also given that any surplus production over 19000 bales would be licenced freely for export according to the instructions that might be given by the Government of India. The Government of India representatives promised to consider this suggestion. Draft letter accordingly.

5. I also brought up in this connection the question of amplying Clause 33 of the Cotton (Textiles) Control Order, 1948, so that an authority issuing a direction under that section would also have the power to fix reasonable prices, taking into account the fair makret price and the price at which the stock holder had actually bought the goods. There was marked difference of opinion on this question but the Hon'ble Minister, Industry & Supply, seemed to feel that there was something to be said for our suggestion. It may be pointed out to the Government of India that without such a power, the power to issue a direction under that section is useless, and it may also be stated that this is not a theoretical problem, but that it has arisen in an actue from in actual fact in several districts. Stock holders are refusing to release stocks to Collectors' nominees, except at fancy prices. Government of India may therefore be requested to take urgent action on this proposal. Draft may be put up urgently.

C.V.N(arasimhan)/26.4.1948
Dy. Secretary.

Two draft letters to the Govt. of India on thelines suggested in paras 4 and 5 above is submitted for approval. Copies of the notes have been given to M.I and M.II for further action on the remaining points.

C.P.G/27.4.48

C.M.N./28.4.48
Dy.Secy.

/Issued as Letter No.M.II/48.4 dated the 28th April 1948 From the Govt. of India.Lr. No.90/10-Tex.I 3/9.6.1948./

Please see para 5 of the minutes of discussion on 24-4-1948 with the Hon'ble Minister for Industry and Supply, Government of India, letter to the Govt. of India on pp 17-18 c.f. and the reply from the Govt. of India at p.19.

2. During the discussions with the representative of the Govt. of India it was urged on behalf of this Govt. that Provincial Officers exercising powers under clause 33 of the Cotton Textiles (Control) Order 1948 for issuing a direction to any dealers to sell or not to sell any quantity of cloth or yarn to a specified person should also have powers to fix reasonable prices taking into account the fair market price and the price at which stock holders had actually bought the goods lest the stock holders may refuse to release stocks to ~~~inees of the Collectors except at a fancy price.

3. The Govt. of India were addressed on this two points. They have since replied that since the control over prices have been withdrawn it will not be desirable to delegate any powers to provinces to fix prices as it will nullify the effect of decontrol. They have, however, pointed that provincial Govt. have already been delegated powers under the Essential Supplies (Temporary Powers) Act 1946 to fix prices of cloth wherever necessary if they are not repugnant to the orders issued by the Government of India.

Submitted that Cotton Textiles has been included as one of the articles under the definition of "Essential Articles" under the Essential Supplies (Temporary Powers) Act, 1946 and that powers for fixing prices have been delegated to Provincial Govt in their Notification No.73-i-TA/46 dated 28-12-1946. As the Govt. of India have declined to comply with the request of this Govt. for the necessary powers to fix prices, the question whether this can be done under the Madras Essential Supply and Requisitioning (Temporary Powers) Act, 1946 has to be pursued further. For orders whether India's letter may be referred to the D.C.C. for remarks in the first instance. Subject to orders a draft endorsement is submitted for approval on p.19 c.f.

The Govt. of India's view seems to be that while Provincial Govt.'s should not interfere to fix prices for cotton textiles generally, the power to fix prices is still there for them under the Essential Supplies (Temporary Powers) Act, 1946 which could be used in specific instances of grave abuses. If this interpretation of their view is correct, then this is all what we desired and no further action is necessary. Legal may see for remarks.

P.G./2-7-48

C.V.N./3.7.48
Dy.Secy.

LEGAL DEPARTMENT.

The view taken by Asst.Secretary. Dev. appears to be correct.

xx/12.7.48

xxx/12.7.48
Secy.

DEVELOPMENT DEPARTMENT.

The letter from the Govt. of India at p.19 c.f., Assy.Secry's notes above and the remarks of Legal thereon may be perused. A copy of the Govt. of India's letter has been sent to the D.D.C. In view of A.Ss notes above, no further action seems called for in the file. The papers may be recorded.

xx/28.7.48

G.O. (Ms) No. 3968 dated 28th July 1948.

Abstract.

Abstract.
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TEXTILES - Cotton Textiles (Control) Order 1948 - Powers to fix prices of yarn - Papers recorded.

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/True copy/

Sk.

Jr Superintendent,
Madras Record Office, Egmore.

24/8